

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton; and
Tony Hammond

Competitive Product Prices
Priority Mail Contract 136 (MC2015-72)
Negotiated Service Agreement

Docket No. CP2015-110

ORDER APPROVING AMENDMENT TO
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued April 27, 2016)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 136, with Portions Filed Under Seal, April 15, 2016 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 2647, the Commission approved the Priority Mail Contract 136 negotiated service agreement (Existing Agreement).² On April 15, 2016, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On April 18, 2016, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service intends for the Amendment to become effective one business day after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service relies on the supporting financial documentation and financial certification initially filed in this docket. *Id.* The Postal Service asserts that the Amendment will not materially affect the cost coverage of Priority Mail Contract 136. *Id.*

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Amendment, the Existing Agreement, and the original financial model filed under seal. PR Comments at 1. Based on that review, she concludes that the amendment would not reduce the cost coverage of Priority Mail Contract 136 to below cost. *Id.*

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the Amendment, the accompanying materials previously filed under seal, and the comments filed by the Public Representative.

² See Docket Nos. MC2015-72 and CP2015-110, Order Adding Priority Mail Contract 136 to the Competitive Product List, August 10, 2015 (Order No. 2647).

³ Order No. 3249, Notice and Order Concerning Amendment to a Priority Mail Contract 136 Negotiated Service Agreement, April 18, 2016.

⁴ Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 136, April 22, 2016 (PR Comments).

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Existing Agreement contains an annual adjustment provision, providing that the prices for subsequent years be set at the previous year's prices plus the most recent average increase in prices of general applicability for Priority Mail Commercial Plus.⁵ The Amendment changes the annual adjustment provision, adding an alternative method for calculation of the annual adjustment. Amendment at 1. The lesser of the two methods will be used to set the next year's prices. *Id.*

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective on the day after the date that the Commission completes its review. Notice at 1. The Existing Agreement, as amended, is set to expire three years after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.⁶

⁵ Docket Nos. MC2015-72 and CP2015-110, Request of the United States Postal Service to Add Priority Mail Contract 136 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, July 27, 2016, Attachment B, at 4 (Request).

⁶ Request, Attachment B at 5. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Priority Mail Contract 136 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble
Secretary